

Message Text

CONFIDENTIAL

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71-62

ORIGIN NEA-10

INFO OCT-01 ISO-00 PM-04 L-03 DODE-00 SS-15 SSO-00 CIAE-00

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DRAFTED BY DOD/DSAA:LTC. HEVERLY/NEA/ARP:FMDICKMAN:CEJ

APPROVED BY NEA:SSOBER

DSAA - LTG. FISH

DOD/ISA - COL. FIFER

DOD/OGC - MR. FORMAN

PM - MR. KEENE

DEPT OF ARMY - MAJ. MERRILL

L/NEA:KHUFFMAN

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O 110039Z FEB 76

FM SECSTATE WASHDC

TO AMEMBASSY JIDDA IMMEDIATE

C O N F I D E N T I A L STATE 033234

E.O. 11652: GDS

TAGS: MARR, MASS, SA, US

SUBJECT: AGENT'S FEES IN SANG CONTRACT

EMBASSY PLEASE PASS COPY TO SANG PROGRAM MANAGER

GENERAL LAWRENCE

1. AT EARLIEST OPPORTUNITY CHARGE SHOULD SEEK A PRIVATE MEETING WITH PRINCE ABDULLAH AND STATE THAT HE HAS BEEN INSTRUCTED TO DELIVER TO HRH THE FOLLOWING CONFIDENTIAL LETTER FROM LTG FISH WHICH SEEKS HIS GUIDANCE AND CLARIFICATION OF SAG POLICY REGARDING THE CLAIMS OF CERTAIN AGENTS ASSOCIATED WITH FMS SERVICE TYPE CONTRACTS. CHARGE SHOULD TELL PRINCE ABDULLAH THAT ONCE HE HAS HAD THE OPPORTUNITY TO STUDY LETTER, EMBASSY WILL BE HAPPY TO TRANSMIT HIS RESPONSE.

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2. FOLLOWING IS TEXT OF LETTER: YOUR ROYAL HIGHNESS:

BRIGADIER GENERAL LAWRENCE HAS INFORMED THE CONTRACTORS INVOLVED IN SAUDI ARABIA NATIONAL GUARD FOREIGN MILITARY SALES PROJECTS THAT FUTURE PAYMENTS FOR AGENTS FEES WERE SUSPENDED EFFECTIVE ON 2 OCTOBER 1975. THIS ACTION WAS TAKEN IN RESPONSE TO THE SAUDI ARABIAN GOVERNMENT'S COUNCIL OF MINISTERS DECREE, NUMBER 1275, 9 SEPTEMBER 1975, AND YOUR LETTER, NUMBER 872, 28 SEPTEMBER 1975, SAME SUB-

ECT, WHICH DIRECTED IMPLEMENTATION OF THE DECREE. NOTWITHSTANDING THE ABOVE ACTIONS, CERTAIN AGENTS HAVE FORMALLY PROTESTED THAT THEIR CONTRACTUAL ARRANGEMENTS, BASED ON "SERVICE" TYPE CONTRACTS, ARE NOT SUBJECT TO THE LIMITATIONS PROVIDED IN THE COUNCIL OF MINISTERS DECREE. THE PRIMARY BASIS FOR THIS PROTEST SEEMS TO BE AN INTERPRETATION OF AN INTERVIEW, PURPORTED TO BE GIVEN BY HIS ROYAL HIGHNESS PRINCE FAHD BIN ABDUL AZIZ, WHICH WAS PUBLISHED IN THE LEBANESE NEWSPAPER AL ANWAR ON NOVEMBER 28, 1975.

WE HAVE RE-EXAMINED THE COUNCIL OF MINISTERS DECREE AND NOTE THAT IT MENTIONS ONLY "ARMS AND EQUIPMENT" CONTRACTS. WE, THEREFORE, BELIEVE THAT IT IS IN OUR MUTUAL BEST INTERESTS TO CLARIFY THE MATTER OF "SERVICES" CONTRACTS. WE WOULD APPRECIATE IT IF YOU WOULD PROVIDE THE SAUDI GOVERNMENT POSITION REGARDING INCLUSION OF AN APPROPRIATE AGENTS FEE IN SERVICE TYPE CONTRACTS. THIS SAME ISSUE HAS RISEN IN "SERVICE" TYPE CONTRACTS UNDER THE PURVIEW OF THE MINISTRY OF DEFENSE AND AVIATION AND PRINCE SULTAN HAS ALSO BEEN REQUESTED TO PROVIDE HIS POSITION ON THE TOTAL INTENT OF THE DECREE. SINCERELY, LIEUTENANT GENERAL HOWARD M. FISH, DIRECTOR, DEFENSE SECURITY ASSISTANCE AGENCY. END TEXT.

3. EMBASSY WILL NOTE THAT TEXT OF LETTER RAISES SAME ISSUES AND CONTAINS MUCH OF SAME LANGUAGE AS LETTER FROM GENERAL FISH TO PRINCE SULTAN RE AGENTS FEES FOR PEACE HAWK V TRANSMITTED JAN 13 (STATE 7728). BY WAY OF BACKGROUND, LETTER IS RESULT OF VINNELL CORPORATION'S CONTINUED REPRESENTATIONS TO DOD CONTRACTING OFFICER THAT IT INTENDS TO HOLD DOD RESPONSIBLE IN EVENT VINNELL CONFIDENTIAL

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IS HELD LIABLE BY ITS AGENT GHASSAN SHAKIR FOR FEES AND COMMISSIONS. (FYI: DOD WOULD PASS ITS LEGALLY ADJUDICATED LIABILITY ALONG TO SAG. END FYI) SHAKIR HAS REFUSED TO ACCEPT THE STATEMENT FROM THE DEPT OF THE ARMY THAT AGENTS FEES FOR SAUDI PROGRAMS ARE TO BE SUSPENDED ARGUING THAT SAUDI COUNCIL OF MINISTERS DECREE PROHIBITS FEES AND COMMISSIONS TO THE SUPPLY OF MILITARY HARDWARE ONLY AND THAT THERE IS NO MENTION WHATSOEVER THAT THE DECREE APPLIES

TO TRAINING, MAINTENANCE, AND CONSTRUCTION. SHAKIR HAS
WRITTEN THAT HE IS PREPARED TO ACCEPT SUSPENSION OF PAY-
MENT ONLY RPT ONLY IN THE CASE WHERE VINNELL CAN PROVIDE
HIM WITH A STATEMENT FROM THE SAUDI OFFICIALS CONCERNED
AUTHORIZING THE CANCELLATION OF FEES FOR SERVICE-TYPE
CONTRACTS. KISSINGER

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